

18 V.S.A. § 4635- Pricing Transparency Drug List-DVHA Methodology

Date: July 1, 2020

Vermont law 18 V.S.A. § 4635, entitled “Prescription Drug Cost Transparency” requires the Department of Vermont Health Access (“DVHA”) to create two lists of 10 prescription drugs per the following statutory language:

(b)(1)(A) The Department of Vermont Health Access shall create annually a list of 10 prescription drugs on which the State spends significant health care dollars and for which the wholesale acquisition cost has increased by 50 percent or more over the past five years **or** by 15 percent or more during the previous calendar year, creating a substantial public interest in understanding the development of the drugs' pricing. The list shall include at least one generic and one brand-name drug and shall indicate each of the drugs on the list that the Department considers to be specialty drugs. The Department shall include the percentage of the wholesale acquisition cost increase for each drug on the list; rank the drugs on the list from those with the largest increase in wholesale acquisition cost to those with the smallest increase; indicate whether each drug was included on the list based on its cost increase over the past five years or during the previous calendar year, or both; and provide the Department's total expenditure for each drug on the list during the most recent calendar year.

(B) The Department of Vermont Health Access shall create annually a list of 10 prescription drugs on which the State spends significant health care dollars and for which the cost to the Department of Vermont Health Access, net of rebates and other price concessions, has increased by 50 percent or more over the past five years **or** by 15 percent or more during the previous calendar year, creating a substantial public interest in understanding the development of the drugs' pricing. The list shall include at least one generic and one brand-name drug and shall indicate each of the drugs on the list that the Department considers to be specialty drugs. The Department shall rank the drugs on the list from those with the greatest increase in net cost to those with the smallest increase and indicate whether each drug was included on the list based on its cost increase over the past five years or during the previous calendar year, or both.

DVHA's Pharmacy Unit prepared data on drugs that meet the criteria per the following methodology.

Methodology used for selection of drug list for 18 V.S.A. § 4635:

To be consistent with other payers and allow the Attorney General's office to maximize comparisons of the list among payers, DVHA developed the list based on the one-year increase in WAC and net cost. The data was supplied by DVHA's Pharmacy Benefits Manager (PBM) Change Healthcare, based on criteria supplied by DVHA and produced a detailed listing of all drugs that exceeded a 15% increase in gross and net cost to DVHA. The final list of the top 10 drugs in each category was derived by reviewing these lists in detail, taking into consideration the previous year's lists, and brand, generic and specialty status. Net spend was also considered when generating the ranking of the drugs in the "net cost" list.

TOP 10 GROSS AMOUNT PAID (Chart 1)

This list contains drugs for which the wholesale acquisition cost (WAC) increased by 15 percent or more in calendar year 2019. The WAC unit price for all years was pulled as of December 31st of the calendar year. The data was averaged and grouped at the product name level. The data was initially sorted based on the highest total gross cost to DVHA and an additional list was sorted for largest percent increase in WAC.

TOP 10-NET AMOUNT PAID (Chart 2)

This list contains drugs for which the net cost to DVHA increased by 15 percent or more in calendar year 2019. DVHA net cost was calculated as pharmacy reimbursement minus all rebates. The total net cost for each NDC was divided by the total quantity (ex. tablets or capsules) of the drug reimbursed by DVHA for that NDC to obtain the Net Unit Cost for each drug. The data was pulled by calendar year, then averaged and grouped at the product name level. The list was extracted using the highest net paid amount for each drug that met the 1 year 15% increase threshold.

Both drug lists were further refined to assure that at least one generic and one brand appeared on each list, and specialty drugs were identified. Specialty drugs were defined as per DVHA's posted list of specialty drugs on the DVHA website at: [DVHA Specialty Drug List](#). Since DVHA is prohibited from publishing drug-specific net cost information, the gross cost to DVHA for each drug listed was provided as a benchmark. This will not align in rank order with the net cost of the drug to the State.

A summary of the drug NDC's analyzed appears below:

2019 GROSS									
Category	Total # NDC's Evaluated	# of NDCs with Utilization Exceeded Threshold	% of Total	Number of generic NDCs exceeding threshold	Generic % of total NDCs exceeding threshold	Avg % increase Generic	Avg % increase Brand	Avg \$ Inc Generic	Avg \$ Increase Brand
WAC >= 50% last 5 Yr	11,677	475	4.07%	336	70.74%	240.60%	80.68%	\$1.58	\$17.09
WAC>= 15% last 1Yr	12,998	199	1.53%	166	83.42%	176.67%	32.18%	\$0.68	\$5.15

DRUG PRICE TRENDS

The following chart is a summary of the last four years of data on WAC price increases. Compared to 2016, there has been a 64% decline in the total number of drugs reaching the 15% per year threshold, and a 78% decline in the total number of drugs reaching the 50% per 5-year threshold. This indicates that fewer manufacturers are excessively increasing their wholesale acquisition costs for drugs. Compared to 2016, the percentage of generics drugs reaching the 15% per year threshold has increased from 35.2% to 83.4%, and the total percentage of brand drugs reaching the threshold has therefore declined from 64.8% to 16.6% of the total. Manufacturers of brand name drugs have moderated their price increases more effectively than generic manufacturers. However, the magnitude of the increase in brand drugs rose from an average of 22.3% to 32.2% and generics rose from 132% to 176.7%. Therefore, although prices are rising on fewer drugs, prices are increasing at a higher rate. The average dollar increase in generic prices has declined from an average of \$1.98 to \$0.68 which along with the other trends, indicates that lower priced generics are experiencing sharper price increases than higher priced generics.

2016 GROSS									
Category	Total # NDC's Evaluated	# of NDCs with Utilization Exceeded Threshold	% of Total	Number of generic NDCs exceeding threshold	Generic % of total NDCs exceeding threshold	Avg % increase Generic	Avg % increase Brand	Avg \$ Inc Generic	Avg \$ Increase Brand
WAC >= 50% last	11,542	2,204	19.10%	1,404	63.70%	447.93%	111.05%	\$2.63	\$40.48
WAC >= 15% last	12,972	548	4.22%	193	35.22%	131.99%	22.31%	\$1.98	\$12.49
2017 GROSS									
Category	Total # NDC's Evaluated	# of NDCs with Utilization Exceeded Threshold	% of Total	Number of generic NDCs exceeding threshold	Generic % of total NDCs exceeding threshold	Avg % increase Generic	Avg % increase Brand	Avg \$ Inc Generic	Avg \$ Increase Brand
WAC >= 50% last	12,035	1,644	13.66%	996	60.58%	325.01%	92.73%	\$2.51	\$51.55
WAC >= 15% last	13,747	323	2.35%	158	48.92%	86.81%	24.67%	\$1.70	\$14.59
2018 GROSS									
Category	Total # NDC's Evaluated	# of NDCs with Utilization Exceeded Threshold	% of Total	Number of generic NDCs exceeding threshold	Generic % of total NDCs exceeding threshold	Avg % increase Generic	Avg % increase Brand	Avg \$ Inc Generic	Avg \$ Increase Brand
WAC >= 50% last	12,934	992	7.67%	543	54.74%	253.27%	79.34%	\$3.45	\$51.94
WAC >= 15% last	14,348	202	1.41%	171	84.65%	148.16%	29.37%	\$0.90	\$19.15
2019 GROSS									
Category	Total # NDC's Evaluated	# of NDCs with Utilization Exceeded Threshold	% of Total	Number of generic NDCs exceeding threshold	Generic % of total NDCs exceeding threshold	Avg % increase Generic	Avg % increase Brand	Avg \$ Inc Generic	Avg \$ Increase Brand
WAC >= 50% last	11,677	475	4.07%	336	70.74%	240.60%	80.68%	\$1.58	\$17.09
WAC >= 15% last	12,998	199	1.53%	166	83.42%	176.67%	32.18%	\$0.68	\$5.15